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RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY  
RUEKJCS/JOINT STAFF WASHDC PRIORITY  
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY  
RHEHNSC/NSC WASHDC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 JERUSALEM 000516

SIPDIS

NEA FOR NEA/IPA, EEB FOR EEB/CBA, NSC FOR SHAPIRO/PASCUAL,  
TREASURY FOR MOGER/AHERN, COMMERCE FOR WIEGLER, JOINT STAFF  
FOR LTGEN SELVA

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TAGS: [ECON](#) [ETRD](#) [BEXP](#) [IS](#) [KWBG](#) [EINV](#) [EAGR](#) [PREL](#)  
SUBJECT: BLOCKED IMPORTS CRIMP WEST BANK INDUSTRY

Classified By: Consul General Jake Walles for reasons 1.4 b, d.

11. (C) Summary: Israeli restrictions on imports to the West Bank are limiting Palestinian production and manufacturing activities, even at established facilities. Some of the problems are long-standing, but Palestinian businesses report the GOI has tightened access to particular materials, including chemicals, over the past several months. The restrictions have negatively affected a wide array of businesses, from textile companies to the West Bank's Coca-Cola bottler. End summary.

12. (C) West Bank business contacts have reported increasing problems getting inputs needed for their production lines either via Israeli ports or from Israeli suppliers due to GOI restrictions on imports to the West Bank. A number of these problems are long-standing concerns, but USG efforts to overcome these obstacles have not yielded results to date. The restrictions are limiting West Bank economic growth, investment, and employment.

Nablus Aluminum Production Mothballed  
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13. (C) National Aluminum and Profile Company (NAPCO) General Manager Anan Anabtawi told EconOffs during a March 12 visit to NAPCO's Nablus factory that GOI restrictions have severely curtailed the company's business. Anabtawi said that NAPCO invested USD 6 million in an aluminum anodizing production line in 1999. The line operated for about 8 months before the outbreak of the second intifada in 2000, when the GOI blocked the company from bringing sulfuric acid, an essential component of the anodizing process, into the West Bank. The line has been mothballed since that time.

14. (C) Anabtawi said that NAPCO opened discussions with the GOI in 2007 over renewing imports of sulfuric acid. NAPCO offered to institute whatever security measures the GOI required to safeguard the acid, including using lower concentrations, installing security cameras with remote monitoring, doing background checks on employees, providing plant schematics, and giving GOI inspectors open access to the plant. Anabtawi said the talks had gone well enough for NAPCO to invest an additional USD 1 million to modify the anodizing line to use lower concentrations of sulfuric acid, but in the end the GOI did not approve the imports. According to Anabtawi, NAPCO, which employs 170 workers, could hire an additional 80 if the anodizing line reopens.

Have a Coke,  
But No Smile  
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15. (C) GOI rejection of necessary inputs, materials, and spare parts are also affecting the operations of National Beverage Company (NBC), one of the leading U.S. investments in the West Bank. (Note: Coca-Cola International, a wholly-owned subsidiary of Coca Cola USA, owns 15 percent of NBC. End note.) According to NBC executives, the company has sought GOI approval since May 2008 to purchase a specific concentration of hydrogen peroxide from an Israeli manufacturer for use as a sanitizing agent for juice cartons in its West Bank production facility. The 'TetraPak' production line, which employs about 45 workers, has operated for several years with hydrogen peroxide stocks imported before the second intifada, but the supply is now nearly exhausted.

16. (C) NBC executives said the company provided the GOI with documentation from Coca Cola's Atlanta headquarters and the machinery's manufacturer demonstrating the need for the specific concentration, and offered to cooperate with the GOI on security safeguards. NBC executives said that, in December 2008, the GOI verbally denied permission to import the hydrogen peroxide.

17. (C) In addition, NBC executives said the GOI had initially rejected imports of aluminum rings for drinking can rims until NBC agreed to switch from a European supplier to an Israeli firm. The GOI, they said, has also rejected replacement parts for 'seamer' machines that seal can rims onto the cans. NBC continues to press the GOI to permit the imports of hydrogen peroxide and needed parts.

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#### Chemical Imports Increasingly Restricted

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18. (C) Trade specialist (and USAID contractor) Said Sabri told EconOff that West Bank businesses are facing increased difficulty acquiring needed inputs as the GOI closes traditional access routes and requires trade to move through five commercial crossing terminals between Israel and the West Bank. Calling access to imported chemicals a particular problem, Sabri cited several examples, including:

- Al Zatory Leather, a tannery in Hebron that has been denied permission for the last two months to import chemicals used in the tanning process;
- Al Arja Clothing, a Bethlehem textile firm denied permission to import chemicals used to bleach jeans;
- Abden Plastics Company, a Bethlehem plastics producer whose chemical imports have been denied for the past month; and
- Glory Clothing, a West Bank textile firm that can no longer acquire adhesives for making clothing.

19. (C) Sabri added that the GOI recently began blocking shipments to Palestinian farmers in the Jordan Valley of some fertilizers on the GOI's "allowed fertilizers list."

110. (C) Palestinian-American Chamber of Commerce Chairman Kareem Shehadeh told EconOff that West Bank businesses whose import applications are denied generally have little recourse. Said Shehadeh, "There is no list of prohibited items one can refer to, there is no transparency in these decisions, there are no written procedures for appeal ... in fact, there is no system."

WALLES